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C O N F I D E N T I A L SECTION 01 OF 03 DAR ES SALAAM 001723

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SUBJECT: KIKWETE'S CABINET SHUFFLE: OLD WINE, NEW BOTTLE

REF: DAR ES 0412

Classified By: D. Purnelly Delly, Charge d'Affaires, for reason 1.4(d)

¶1. (C) SUMMARY. Amid mounting public frustration over the power crisis, rising inflation, high oil prices and depreciation of the local currency, President Kikwete re-shuffled his Cabinet on October 15 for the first time since assuming office. Re-shuffling ten Ministers and eight Deputy Ministers among different ministries, Kikwete retained the same cast of characters but switched their portfolios. While it is widely understood that the mishandling of the energy crisis precipitated the shuffle and specifically the transfer of Minister Ibrahim Msabaha out of the Ministry of Energy and Minerals, complaints against other "non-performing" ministers, including the Minister of Infrastructure and the Minister of Agriculture, have also emerged. Public reaction to the President's move has been mixed, with some calling it a genuine "wake-up call" to his Cabinet and others criticizing it as mere cosmetics. 2006 has been a trying year for the Kikwete administration and the shuffle reflects this. To address the root causes of Tanzania's chronic problems, however, Kikwete will have to do more than re-arrange his deck. END SUMMARY.

President Kikwete's First Cabinet Shuffle

¶2. (U) On October 15, President Jakaya Kikwete reshuffled his Cabinet for the first time since his election about a year ago. According to a State House press statement, President Kikwete transferred ten Ministers and eight Deputy Ministers to new ministries primarily targeting economic-related sectors such as Energy, Infrastructure, Agriculture and Water. Kikwete has not dropped any member of his Cabinet nor has he cited specific reasons for the shake-up. Especially prominent moves were the transfers of what the public and press have called the main "under-performers" in Kikwete's Cabinet: the Minister of Energy and Minerals, Ibrahim Msabaha; the Minister of Infrastructure, Basil Mramba; the Minister of Agriculture, Joseph Mungai; and the Minister of Water, Stephen Wassira. (For a complete list of the Cabinet transfers, see para 11).

Power Crisis: Key Catalyst

¶3. (C) What were the main causes behind President Kikwete's reshuffle? While Kikwete has not provided any justification for his shuffle, both politicians and the general public believe the power crisis is at the heart of the shake-up. Since the crisis emerged in February, power cuts have not

only persisted but they have gotten worse. Despite promises from the Ministry of Energy that power rationing would end in August, and then from President Kikwete that power woes would end in early October, rationing of unprecedented proportions continues (12 hours daily across the national grid). And there is no clear end in sight. Tanzania's Electricity Supply Company (TANESCO) announced on October 18 that the country's main hydro-power source, Mtera dam, shut down and that a smaller dam, Kidatu, would also be forced to shut down in a few days.

14. (C) Beyond the blackouts and bleak forecast for an end to the rationing, the local press has increasingly questioned the government's handling of the crisis over the last few months. After the GOT awarded Richmond Development Corporation (Richmond) a USD 120 million contract in June 2006 to establish a leasing facility for "emergency" power generation (reftel), Richmond created a stir when it failed to meet its first delivery deadline on October 8. Articles in the Citizen, the African and the Guardian newspapers alleged that the Bank of America denied Richmond a line of credit and that it was not even a registered company filing taxes in Texas, where it claimed to be a business. "As the Richmond saga unfolded, people were increasingly dissatisfied with the government's handling of the energy crisis. Kikwete had to do something," Michael Wong, Private Sector Specialist at the World Bank, told poloff on October 16.

Shuffle Also Reflects Parliamentary Complaints

15. (C) While the energy crisis provides an easy explanation for the transfer of Minister Msabaha and his Deputy Minister, Lawrence Masha, transfers of the other nine Ministers and

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seven Deputy Ministers are not quite as clear. Dr. Mukandala, Head of Political Affairs at the University of Dar es Salaam, called the shuffle a "performance evaluation," speculating that President Kikwete was realigning his Cabinet based on the abilities which Ministers demonstrated during their initial months in office. Mukandala believed, for example, that Minister Jumanne Magembe was been underutilized at the Ministry of Labor and Youth Development, so was transferred to the Ministry of Tourism and Natural Resources to showcase his skills.

16. (C) According to Louis Accaro, Director of the Tanzanian Private Sector Foundation, many of the Ministers transferred were not only under-performing but had been the subject of Parliamentary criticism and/or other controversies. For example, during the July Parliamentary session, Minister Mramba of Infrastructure was accused of misappropriating funds to build a tarmac road in his constituency (Kilimanjaro) worth Tsh 17 billion or (USD 13.9 million). (Note: Dr. Mukandala also cited this case as a reason for Mramba's transfer). Similarly, Members of Parliament (MPs) had accused Minister Wassira of allocating funds for water projects in his own constituency (Bunda, Mara) and had blamed him for the chronic water shortage in the country. MPs also had accused Minister Karamagi of attempting to award a contract for the development of the Kiriwa coal reserves to an illegitimate or "shoddy" company in which he owned shares, according to Accaro.

17. (C) Joseph Mungai, Minister of Agriculture, was also recently the subject of both public and parliamentary criticism due to his role in the sale of wheat farms in Mbeya. According to both Accaro and Dr. Weggro, Senior Economist with the East African Secretariat, the sale of the Mbeya wheat farms sparked a demonstration of small farmers who marched all the way to Dodoma to lodge their complaints with Prime Minister Lowassa. Accaro shared his view that Mungai's handling of the import licenses for grain during the food crisis in January 2006 had also angered President Kikwete. He explained what he saw as a clear case of corruption when Mungai suspended the duty on grain imports on

January 23 and then on January 26, a boat arrived in the Dar es Salaam port carrying 50,000 tons of grain. Accaro said that nobody in the Cabinet could believe this "coincidence."

Mixed Public Reaction

18. (C) Public reaction to President Kikwete's shuffle has been surprisingly skeptical. While some have praised Kikwete's move as a "wake up call" to non-performing ministers, others have criticized the President for simply recycling friends and not sacking inefficient ministers. On October 17, just one day after Kikwete's shuffle, the press ran articles raising the general public's doubt about the effectiveness of the shake-up. The Guardian newspaper called the public's reaction "mixed." The African newspaper ran a front page article entitled, "Cabinet Shuffle Criticized," reporting the public's view that the President's action was not in-line with his purported philosophy of "zeal, vigor, and speed." Other analysts likened the move to putting the same old wine in a new bottle.

Comment: Kikwete Re-arranges Hand and Gambles Again

19. (C) Speculation abounds on why President Kikwete shifted so many members of his Cabinet. On a macro-level, the shuffle appears to be a rather shrewd political move. Kikwete not only signals to the public that he is acting to address a range of problems, but he also deflects mounting public frustration away from the Presidency and toward, what the press have called, his "under-performing" ministers. Despite the skepticism, there are positives aspects of the shuffle. One is that the move sent a clear message to the President's Cabinet that Ministers would be sidelined if they did not deliver and that, unlike under former President Mkapa, Ministerial assignments were not five year guarantees. The shuffle has also earned political points with Parliament; many MPs have aimed pointed criticism at some of the "under-performers."

110. (C) While the power crisis and Richmond saga may have been the driving forces behind the shuffle, a new Minister alone will not solve the energy crisis. Problems in the

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energy sector are deeply ingrained, and stem from poor contracts, poor management, and poor decision-making, going down to the technical level and up to the highest reaches of government including Prime Minister Edward Lowassa (who ultimately presided over the Richmond deal). Solving the energy crisis will take long-term, sustained commitment to restructuring and reform of the sector. END COMMENT.

111. Below are the ten Ministers and eight Deputy Ministers who were shifted:

- Ibrahim Msabaha, Minister of Energy and Minerals, now Minister of East African Cooperation.
- Nazir Karamagi, Minister of Industry, Trade and Marketing, now Minister of Energy and Minerals.
- Basil Mramba, Minister of Infrastructure Development, now Minister of Industry, Trade and Marketing.
- Andrew Chenge, Minister of East African Cooperation, now Minister of Infrastructure Development.
- Anthony Diallo, Minister of Tourism and Natural Resources, now Minister of Livestock Development.
- Jumanne Maghembe, Minister of Labour, Employment, and Youth Development, now Minister of Tourism and Natural Resources.
- John Chiligati, Minister of Home Affairs, now Minister of Labour, Employment and Youth Development.
- Joseph Mungai, Minister of Agriculture and Cooperatives, now Minister of Home Affairs.
- Stephen Wassira, Minister of Water, now Minister of Agriculture and Cooperatives.
- Shukuru Kawambwa, Minister of Livestock Development, now Ministry of Water.
- Lawrence Masha, Deputy Minister of Energy and Minerals,

swaps positions with Bernard Membe, Deputy Minister of Home Affairs.

-- Batilda Buriani, Deputy Minister of Community Development, Gender and Children swaps positions with Salome Mbatia, Deputy Minister Planning, Economy and Empowerment.

-- Emmanuel Nchimbi, Deputy Minister of Information, Sports and Culture, swaps positions with Daniel Nzanzugwanko, Deputy Minister of Labour, Employment and Youth Development.

-- David Mathayo David, Deputy Minister of Industry, Trade and Marketing, swaps positions with Hezekiah Chibulunje, Deputy Minister of Agriculture and Food Security.

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